

Senate Committee
on Budget and Fiscal Review

SUBCOMMITTEE No. 3
on
Health, Human Services, Labor,
And Veterans Affairs

MAJOR ACTION REPORT

May 28, 2004

Senate Bill 1095
2004-05 Budget Bill

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SUBCOMMITTEE No. 3

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HEALTH

4260 DEPARTMENT OF HEALTH SERVICES

The Medi-Cal Program

- Eliminated the caps on enrollment for certain Medi-Cal Programs as originally proposed by the Governor in his January budget.
- Eliminated the 5 percent rate reduction on Medi-Cal fee-for-service rates and the additional 10 percent rate reduction on all Medi-Cal rates as originally proposed by the Governor in his January budget. The 5 percent piece was eliminated due to a court injunction. The state is appealing the injunction, but it is unknown at this time when the appeal may be heard. It should be noted that the 5 percent reduction, as contained in the Budget Act of 2003, has been applied to Medi-Cal Managed Care plans effective January 1, 2004 for total savings of \$123 million (\$61.5 million General Fund).
- Delayed the Medi-Cal checkwrite for June 2005 to July 2005 and shifts this payment to the next fiscal year (2005-06) for savings of \$287.4 million (\$143.9 million General Fund). The providers would still receive reimbursement but it would be delayed by a few days.
- Delayed the Medi-Cal checkwrite beginning in July 2004, and continuing indefinitely, to enable the DHS to more closely review billings for anti-fraud purposes. Savings of \$287.4 million (\$143.9 million) were identified for the checkwrite deferral into the next year and an additional \$2 million (\$1 million General Fund) was identified for anti-fraud savings.
- Proposed changes to how Medi-Cal reimburses pharmacy providers for net savings of \$158.5 million (\$79.3 million General Fund). This savings figure reflects an increase in the amount paid Pharmacists for dispensing drugs from \$4.05 to \$8.30 and eliminates the 50 cent/10 cent reduction presently done on each claim for increased expenditures of \$243 million (\$121.5 million General Fund). In addition, it changes how the drug ingredient rate is paid for savings of about \$400 million (\$200 million General Fund) in 2004-05. This level of net savings assumes a September 1, 2004 implementation date. This action requires trailer bill language.
- Modified the Governor's proposal for Adult Day Health Centers (ADHCs) by recognizing total savings of \$16.3 million (\$8.2 million General Fund) attributable to revised assumptions regarding baseline funding and the moratorium. Approved modified trailer bill language regarding the moratorium and rejected the Administration's proposal to craft a new federal Waiver for the program through the budget process. The new federal Waiver framework will instead proceed through the policy committee process.

- Reduced \$57.3 million (\$28.6 million General Fund) by adjusting the interim hospital payments for acute inpatient services by ten percent effective September 1, 2004. This action requires trailer bill language.
- Proposed savings of \$12.5 million General Fund by implementing a Quality Assurance Fee for Managed Care plans providing services under the Medi-Cal Program. This action requires trailer bill language.
- Rejected trailer bill language regarding establishing an Average Selling Price for medical supplies. No savings were attributable to this proposal and the DHS has not yet implemented other cost containment proposals for medical supplies that were adopted through the Budget Act of 2003.
- Reduced by \$66.7 million (\$33.3 million General Fund) to reflect a reconciliation of state and county Medi-Cal eligibility records within Los Angeles County. Through this reconciliation process, about 130,000 recipients will receive notices that their Medi-Cal eligibility is in question.
- Adopted the Governor's proposal to eliminate the supplemental wage payment for nursing homes for savings of \$92 million (\$46 million General Fund).
- Recognized \$30 million (\$15 million General Fund) in savings by collecting more aged drug rebates from pharmaceutical manufacturers who owe the state in arrears. Also adopted trailer bill language to require the DHS to report on a quarterly basis regarding the collection of aged drug rebates.
- Provided a \$30.3 million (\$15.1 million General Fund) to increase the Medi-Cal reimbursement rates paid to County Organized Health Systems (COHS) by about 3 percent effective with each plan's 2004-05 contract rate period.
- Rejected the Administration's proposal to eliminate the Alternative Payment Method provided to Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs) as provided under the state's existing Medi-Cal State Plan for increased expenditures of \$9.8 million (\$4.9 million General Fund).
- Adopted several pieces of trailer bill language regarding FQHCs/RHCs to (1) expedite implementation of the scope-of-service changes under the Prospective Payment System, (2) recognize the Administration's intent to pay 100 percent of the owed retroactive payments, and (3) clarify how consolidated cost reports will be handled.
- Reduced by \$46 million (\$23 million General Fund) the appropriation for county administration of Medi-Cal eligibility and related activities as proposed by the Administration. Also adopted modified trailer bill language to implement a cost control plan with the counties, and rejected the Administration's budget bill language which was unnecessary.
- Recognized \$18 million (\$9 million General Fund) in savings as proposed to have counties more expeditiously reconcile certain data files with the state's Medi-Cal Eligibility Data System. Also adopted modified trailer bill language for implementation purposes, and rejected the DHS request for a position for additional savings of \$100,000 (\$50,000 General Fund).

- Rejected the DHS proposal to hire a contractor to conduct validation reviews of counties to find potentially ineligible individuals for which the contractor would receive payment. Though it was unlikely that savings would be achieved from this proposal, \$6 million (\$3 million General Fund) was provided to backfill for the proposed reduction.
- Restricted the billing of Medi-Cal for electromyography and nerve conduction tests to physicians who have received specialized training in these types of tests for savings of \$1.3 million (\$652,000 General Fund).
- Continued implementation of the County Performance Accountability Standards from the Budget Act of 2003 for savings of \$167.2 million (\$83.6 million General Fund) in 2004-05.
- Continued implementation of the semi-annual reporting regarding eligibility for savings of \$167.8 million (\$83.9 million General Fund) in 2004-05.
- Continued implementation of increased Medical Case Management for savings of \$16.5 million (\$8.3 million General Fund) in 2004-05.
- Commenced implementation of contracting for certain durable medical equipment and clinical laboratory services for savings of \$15.1 million (\$7.5 million General Fund).
- Continued implementation of the frequency limits placed on certain laboratory services as directed in the Budget Act of 2003. A total of \$10.7 million (\$5.4 million General Fund) will be saved in 2004-05 from this action.
- Assumed savings of \$18 million (\$9 million General Fund) due to increased third-party reimbursement from personal injury recovery cases and estate recoveries.
- Assumed savings of \$15 million (\$7.5 million General Fund) from increased audits of nursing homes related to payments for Medicare and Medi-Cal crossover recipients.
- Adopted savings of \$5.8 million (General Fund) and \$1.5 million (Tobacco Settlement Fund) by identifying past appropriations which can be reverted within the Medi-Cal Program.
- Continued implementation of the Orthopaedic Hospital Settlement for hospital outpatient rates to reflect a total rate adjustment of 43.4 percent over the 2000-01 base period. Total expenditures for 2004-05 are \$212.9 million (\$106.5 million General Fund).
- Rejected the proposed transfer of eligibility processing from the state to the counties for the Breast and Cervical Cancer Treatment Program for net savings of \$950,000 (General Fund).
- Denied the DHS request for \$2.1 million (\$1 million General Fund) to hire 36 positions for treatment authorization request (TAR) processing in Medi-Cal. Also adopted modified trailer bill language regarding changes to the TAR process.
- Denied the proposed increase of \$3.1 million (\$1.5 million General Fund) for DHS staff and contract resources to design and implement a new federal Waiver for the Medi-Cal Program. This action was taken in relation to the Administration's announcement of delaying any major Medi-Cal Program redesign until passage of the budget. The Administration now presumes submittal of the redesign package to the Legislature by August 2, with passage by the Legislature by the adjournment of Legislative Session. The Administration also assumes submission of an 1115 Waiver to the federal government by September 2004. Further, an added

component to the redesign effort is to restructure existing hospital financing with regards to intergovernmental transfer funds and disproportionate share hospital inpatient funding.

- Approved as proposed an increase of \$225,000 (General Fund) and 5 positions to proceed with implementation of a federal Independence Plus Waiver for the In Home Support Services Program.
- Approved 20 new positions in lieu of the requested 41 positions to conduct more non-contract hospital field audits for savings of \$2.3 million (\$1.1 million General Fund).
- Approved as proposed an increase of \$301,000 (General Fund) to make changes to the licensing and certification process as it pertains to criminal background checks.
- Adjusted the Administration's proposal to hire 5 new staff to conduct activities related to the federal Medicare Prescription Drug Act for expenditures of \$437,000 (\$151,000 General Fund) by providing funding for only three positions for savings of \$59,000 (General Fund).
- Deleted requested funds of \$590,000 (\$194,000 General Fund) to support four new positions and purchase tracking software to better oversee the Fiscal Intermediary contract with Electronic Data System as recommended by the Legislative Analyst's Office.
- Rejected trailer bill language regarding counterfeit-proof prescription pads and referred the proposal to the policy committee process. The proposed language represented no savings in the budget year.
- Adopted trailer bill language to extend the sunset of the 250 percent Working Disabled Program from April 1, 2005 to September 1, 2008.
- Adopted trailer bill language to eliminate the sunset date for the Graduate Medical Education Program which provides supplemental federal funding to certain California hospitals that serve as teaching hospitals.
- Approved trailer bill language to continue the existing carve out for the California Children's Services Program for another three years (until September 1, 2008).
- Adopted trailer bill language that identifies County Organized Health Systems and Local Initiatives as governmental entities.
- Adopted Budget Bill language to require the DHS to provide the Legislature with a copy of the Error Rate Study pertaining to the state's Medi-Cal anti-fraud efforts by no later than November 1, 2004.

Public Health Programs

- Appropriated \$72.4 million (federal funds) to Local Health Jurisdictions to proceed with extensive activities associated with various federal bioterrorism requirements. However, the state appropriation for these grant funds was reduced by \$2.3 million since the DHS has not yet finalized the Cooperative Agreement with the federal government. As such, this \$2.3 million (federal funds) will be available for appropriation through the policy committee process as was

done last year. In addition, Budget Bill language was adopted to (1) require the DHS to include in the Cooperative Agreement application a provision requesting funding for Chapter 891, Statutes of 2002, pertaining to low-level radioactive waste and (2) require the DHS to keep the Legislature informed as to the approval of the state's application and any changes proposed by the federal government.

- Appropriated a total of \$110.1 million, including state support, for Proposition 50—the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 related grants (\$10.4 million is for Chapter 3-related functions and \$99.8 million is for Chapter 4-related functions). Also adopted Budget Bill language that requires legislation to be passed in the 2003-04 legislative session before the DHS can allocated any funds to private water companies.
- Provided \$20 million (CalWORKs TANF Funds) to support the Community Challenge Grant Program that provides parenting assistance and serves to mitigate teenaged pregnancies.
- Provided full funding for the AIDS Drug Assistance Program (ADAP) which includes an increase of \$26.9 million (\$21 million Drug Rebate Funds, \$2.7 million General Fund, and \$3.1 million federal funds) over the Governor's January budget. Also adopted trailer bill language to establish a special fund for the collection of drug rebate funds.
- Reduced the California Children's Services (CCS) Program by \$2.5 million to reflect the collection of drug rebate funds and implementation of other contract savings such as for medical supplies and durable medical equipment.
- Identified \$5 million in drug rebate funds for the Genetically Handicapped Persons Program (GHPP) to be used as an offset for General Fund support. Also provided a position to assist with various functions related to cost containment.
- Adopted trailer bill language to establish a special fund for the collection of rebates for the CCS and GHPP programs.
- Rejected the Administration's proposal to repeal existing statute related to (1) SB 322 (Ortiz), Statutes of 2003, (2) SB 308 (Ducheny), Statutes of 2003, (3) SB 617 (Speier), Statutes of 2003, (4) AB 1676 (Dutra), Statutes of 2003, and (5) AB 71 (Horton), Statutes of 2003.
- Provided \$3.8 million (Infant Botulism Fund) and transfers an additional \$500,000 from the Health Statistics Fund as a loan to support the production and distribution of BabyBIG to treat infant botulism by neutralizing botulinum toxin.
- Continued the deferral of \$20 million (General Fund) for the County Medical Services Program for one more year. This action requires trailer bill language.
- Approved \$590,000 (\$208,000 General Fund) and five positions for the California Partnership for Long-Term Care Program. Also adopted trailer bill language to (1) eliminate the sunset for the program and (2) require specified insurance issuers to reimburse the state \$20,000 annually for common marketing materials.
- Deleted \$424,000 (General Fund) from the appropriation for the purchase of information technology equipment for the Richmond Laboratory.

- Adopted Budget Bill language to require the DHS to report to the Legislature by November 1, 2004 on what actions have been taken to improve their contracting process.
- Approved trailer bill language regarding the expansion of the Newborn Screening Program.
- Approved the Administration's proposal regarding the appropriation of Proposition 99 Funds, but rejected propose trailer bill legislation that would have hindered the expenditure of funds for anti-tobacco media efforts.
- Denied a \$1 million (General Fund) request for activities associated with the West Nile Virus.
- Increased by \$2.5 million (General Fund) to provide additional funds for Adult Influenza Vaccine.
- Reduced by \$2 million (General Fund) the Administration's proposed loan of \$5 million for the Genetic Disease Testing Program.
- Denied the Administration's request for positions related to the Genetic Disease Testing Program since the DHS could not provide information on how they intend to make the program more efficiently operated. Savings of \$394,000 (Genetic Disease Testing Fund) were identified for this action.
- Approved the Governor's budget for the Cancer Research Program and the Prostate Cancer Program.
- Approved implementation of the Medical Marijuana ID Program as proposed by the Administration, including 8 positions and a \$983,000 loan from the Health Statistics Fund.
- Rejected proposed trailer bill legislation to eliminate the Methadone Regulatory Program.
- Approved \$44.7 million (Reimbursements which are federal funds transferred by the DSS) for expansion of the California Nutrition Network.
- Denied Budget Bill language regarding the Radiologic Health Program since it is not clear what programs would be reduced by the proposed action.

4280 MANAGED RISK MEDICAL INSURANCE BOARD

- Approved \$872 million (\$319.1 million General Fund) for the Healthy Families Program to serve an enrollment of about 774,000 children as of June 30, 2005. This appropriation level assumes no enrollment caps or block grant proposals as contained in the Governor's January budget proposal.
- Rejected proposed trailer bill language to implement premium increases in the Healthy Families Program beginning as of July 1, 2005 and directed the Administration to refer the issue to the policy committee process. Also reduced \$263,000 (General Fund) in administrative costs associated with this proposed change.
- Deleted \$175,000 (General Fund) for the consumer survey in the Healthy Families Program.

- Eliminated the \$1 million (Proposition 99 Funds) special reserve in the Access for Infants and Mothers (AIM) Program and redirected these funds as backfill to the General Fund in support of caseload adjustments in the State Hospitals.
- Recognized \$115.1 million (federal S-CHIP Funds) to be available for the County Health Initiative Matching Fund Program which enables counties to obtain a federal match for certain health care services provided to children with family incomes between 250 percent and 300 percent of poverty.
- Approved as budgeted the Managed Risk Medical Insurance Program.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Community-Based Services

- Enacted an additional unallocated reduction of \$7 million (General Fund) in lieu of approving the proposed statewide Purchase of Services (POS) standards. As such, an increase of \$4.9 million (General Fund) was provided since the Governor's POS standards would have resulted in proposed savings of \$11.9 million (General Fund).
- Continued all cost containment actions for Regional Center services enacted through the Budget Act of 2003 including the (1) \$10 million unallocated reduction, (2) application of the federal standard for substantial disability, (3) elimination of the SSI/SSP rate pass-through to Community Care Facilities, (4) service level freeze for Community Care Facilities, (5) suspension of funding for the start-up of new services unless it is associated with the placement of an individual in the community, (6) rate freeze on Adult Day Programs, (7) rate freeze for vendor-provided services conducted under contract to the Regional Centers, and (8) extension of the amount of time allowed for Regional Centers to conduct assessment of new consumers from 60 days to 120 days following initial intake. Also adopted modified trailer bill legislation to maintain the integrity of what was approved last year.
- Adopted a series of technical caseload and utilization adjustments for an increase of \$36.9 million (total funds) to the Purchase of Services.
- Approved the Administration's fiscal assumptions for implementation of the Family Cost Participation Program, but adopted modified trailer bill language which provides for an appeal process and recognizes exceptions for medical needs.
- Shifted \$48 million in federal Title XX funds to General Fund support due to the need for the federal funds to be utilized within the CalWORKs Program.
- Recognized \$29.9 million in increased federal funds attributable to South Central Regional Center of Los Angeles receiving federal Waiver approval and uses these funds as an offset for General Fund support in the Purchases of Services item.

- Approved the Administration's proposal to reduce Regional Center Operations funding by \$6.5 million (General Fund) as an unallocated reduction.
- Rejected the proposed increase of \$6.1 million (General Fund) for Regional Center Operations to implement the proposed statewide POS standards.
- Adopted trailer bill language to continue the freeze on the rates paid for habilitation services into 2004-05.
- Deleted \$1.7 million (General Fund) from the Purchase of Services to reflect the adoption of trailer bill language which defers implementation of changing the consumer-to-job coach ratio from 1 to 4 in the Habilitation Services Program until July 1, 2005.
- Increased by \$2.8 million (General Fund) Regional Center Operations to accelerate enrollment into the Home and Community-Based Waiver.
- Re-appropriated \$5.1 million (General Fund) for the California Developmental Disabilities Information System (CADDIS). Also adopted Budget Bill language to more closely monitor the project.
- Reverted \$5 million (General Fund) in unexpended funds for the Bay Area Project.
- Provided funds to support seven new positions, and specified contract services, at the DDS to develop future other cost containment measures regarding standardizing rates and obtaining a Self-Determination Waiver.
- Deleted funds and two positions associated with the implementation of the statewide POS standards for savings of \$185,000 (General Fund).

Developmental Centers

- Captured the Administration's proposed \$11.1 million (General Fund) slated to be spent on expanding Sonoma Developmental Center (DC) due to the postponement of the Agnews DC closure until 2006, and placed these funds into a special account. Adopted Budget Bill language that controls the allocation of the funds for community-based living options for current residents of the Agnews DC in lieu of providing funds for Sonoma.
- Appropriated \$714.6 million (\$362 million General Fund) to serve 3,307 residents who reside in the state Developmental Center system. It should be noted that the Governor rescinded his proposal to contract out for food services.
- Rejected proposed trailer bill language related to the provision of protective services at the Developmental Centers.

4440 DEPARTMENT OF MENTAL HEALTH**Community-Based Services**

- Rejected the DMH proposal to double the county share of cost under the Early Periodic Screening Diagnosis and Treatment (EPSDT) Program from 10 percent to 20 percent. Increased funding of \$12.6 million (General Fund) to backfill for this action. In addition, adopted uncodified trailer bill language that restricts the department's ability to implement this increased cost sharing level administratively, as was done originally with the 10 percent cost-sharing ratio.
- Approved the modified EPSDT Program audits to use claims data for analysis for local assistance savings of \$3.9 million (General Fund), and reduced the state administrative augmentation by \$200,000 (General Fund) to reflect the revised workload need.
- Adopted the Administration's funding level for Mental Health Managed Care which does not provide a cost-of-living-adjustment for the third straight year in a row.
- Restored \$60 million (\$40 million General Fund) for the EPSDT Program to reflect the Administration's withdrawal of their flawed re-basing proposal that would have resulted in California losing over \$50 million in federal funds and would have devastated mental health outpatient services.
- Augmented by \$5 million (Proposition 98 Funds) the Early Mental Health Program for pupils in grades K through Third.
- Rejected the DMH proposal to eliminate \$724,000 (General Fund) from selected counties including Sacramento County for their psychiatric health facility, and 13 other counties that use these funds to obtain federal matching funds under the rehabilitation waiver.
- Approved uncodified trailer bill language related to enforcing mental health parity.
- Increased by \$500,000 (\$250,000 General Fund) to develop federally required informing materials for Medi-Cal recipients and related activities associated with recent federal regulation changes.
- Approved an increase of \$275,000 (Reimbursements from MRMIB) for supplemental mental health benefits provided under the Healthy Families Program.
- Saved \$246,000 (General Fund) by deleting three positions proposed to conduct activities associated with implementation of HIPAA.

State Hospitals

- Adopted the budget for the State Hospitals as proposed since the enrollment caps were rescinded by the Governor.

- Recognized savings of about \$13.5 million (General Fund) related to making changes to the state's Sexually Violent Predator (SVP) Program as follows:
 - Reduced by \$10.7 million (General Fund) to reflect a proposal to return 100 pre-commitment SVPs (those individuals who have not completed the SVP commitment process) to local jurisdictions until the judicial process has been completed and a commitment has been ordered.
 - Reduced by \$823,000 (General Fund) to reflect a proposal to restructure the treatment program for SVPs to include a new secure licensing category. The SVP patients would be divided into three categories with two of the groups attending treatment on an outpatient basis within Coalinga State Hospital.
 - Reduced by \$2 million (General Fund) based on the enactment of statute that would replace the current two-year SVP commitment period with one that would be indeterminate in length.
- Reduced by \$1.5 million (General Fund) the amount appropriated for evaluations conducted for patients who may be deemed to be SVPs.
- Provided an increase of \$218,000 (General Fund) for the Conditional Release Program that serves SVPs.
- Rejected the Administration's proposal to shift financial responsibility to the counties for any patients in the State Hospitals who are deemed Incompetent to Stand Trial and who remain in the State Hospital for more than 10 days after a certificate of restoration of competency has been received by the courts. A General Fund backfill of \$360,000 was provided for this purpose.

HUMAN SERVICES

4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER

- Reduced spending authority by \$15 million for the Child Welfare Services Case Management System (CWS/CMS) to minimize nonessential system changes, reduce project costs, and to reflect elimination of the expanded adoption subsystem.
- Adopted Budget Bill language to establish specific deadlines and requirements relative to the CWS/CMS go-forward plan and to allow the Department of Finance to augment DSS and HHSDC to transition the CWS/CMS hardware to the state.
- Adopted Budget Bill language and trailer bill language to require the Data Center to report annually to the Department of Finance and the LAO regarding the cost factors reflected in its rates and for the DOF to use the report to review the Data Center's rate setting methodologies.
- Increased spending authority by \$17.8 million to support the Unemployment Insurance Modernization Project, which will increase the Employment Development Department's capacity to detect and control fraud in the Unemployment Insurance system.
- Reduced funding for the Statewide Fingerprint Imaging System for savings of \$536,000.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- Shifted the Song Brown Family Physician Training Program from the General Fund to the California Health Data and Planning Fund, on a one-time basis, for budget-year savings of \$4.1 million GF.
- Adopted uncodified trailer bill language to require OSHPD to develop alternative funding strategies to provide long-term stability and non-GF support for the Song Brown program and to report on the strategies at budget hearings.

4170 DEPARTMENT OF AGING

- Rejected the Governor's proposal to block grant funding for aging services and instead eliminated funding for the Senior Companion program, maintained the proposed reduction to state operations, and reduced funding for aging services for total savings of \$1.7 million.
- Adopted placeholder trailer bill language to prohibit denial of aging services to eligible persons who are receiving IHSS and to require improved coordination of services and funding in a manner that maximizes cost effectiveness to the state and to counties.

4180 COMMISSION ON AGING

- Approved as budgeted.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

- Adopted the Governor's proposal to retain the Office of Problem Gambling within the Department of Alcohol and Drug Programs and to provide \$3 million from the Indian Gaming Special Distribution Fund to support the program.
- Appropriated \$250,000 from the Children's Trust Fund to the Department of Alcohol and Drug Programs to support dependency drug court programs. Adopted placeholder trailer bill legislation to require reporting of specified outcomes, including rates of reunification, number of days in foster care, and the length of time to achieving permanency, as a condition of receiving funding.
- Adopted the Administration's proposal to increase by \$3.5 million federal funding to support the delivery of alcohol and drug screening, intervention, referral and treatment services to adult patients in medical settings across four counties.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

- Approved as budgeted.

5160 DEPARTMENT OF REHABILITATION

- Made a series of adjustments, reductions and redirections to address a reduction in Social Security Reimbursements and maintain funding for vocational rehabilitation counseling and placement services, the business enterprise program, and the Orientation Center for the Blind in the current year and the budget year.
- Adopted the following adjustments to maintain funding for personal services: a redirection of \$4 million in Vocational Rehabilitation program costs, a \$960,000 reduction in assistive technology grants, \$771,000 in program efficiencies, and \$2 million in a redirection of establishment grants. In addition, DOR plans to eliminate a contract with the Center for the Partially Sighted and instead support the Center's delivery of Vocational Rehabilitation services through a case services contract.

5170 STATE INDEPENDENT LIVING COUNCIL

- Approved as budgeted.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- Adopted the following May Revision changes regarding the California Child Support Automation System: (1) a \$27.3 million (\$6.2 million General Fund) augmentation to support CCSAS activities; (2) Budget Bill language that would allow the Department of Finance to augment funding for the CCSAS Project and State Disbursement Unit, if needed to achieve federal certification; and (3) Budget Bill language to reappropriate prior-year funds for county conversions to reflect changes in the project schedule.
- Eliminated the proposed \$220 million for payment of the alternative federal penalty in the budget year, as the federal government will allow California to pay the penalty in the following fiscal year. Rejected the proposed legislation to require a county share of the federal penalty.
- Maintained the current policy of distributing child support collections made on behalf of families receiving public assistance to the federal, state and county governments based on their share of funding for assistance programs. The Senate action to reject the proposed elimination of the county share of child support collections will reduce General Fund revenues in the budget year by \$35.9 million.

5180 DEPARTMENT OF SOCIAL SERVICES**In-Home Supportive Services and SSI/SSP**

- Adopted the May Revision proposal to restore funding to the IHSS Residual program and assume an increase in federal funding for the program through the IHSS Plus Waiver, which California requested from the federal government in May. Adopted trailer bill legislation to implement the IHSS Waiver and facilitate the transition of consumers from the Residual program to the waiver. Retained the existing statutory framework for the Residual program.
- Rejected the Governor's proposal to eliminate state participation in IHSS provider wages and benefits above the minimum wage.
- Rejected the Governor's proposal to repeal the IHSS employer of record requirement, eliminate state funding for public authorities, and making the establishment of IHSS Advisory Committees optional for an increase in program costs of \$2.2 million General Fund.
- Adopted the May Revision funding restoration to maintain domestic services for consumers who reside with family members and rejected the proposed trailer bill legislation to eliminate the aforementioned services "to the extent permissible under federal law".
- Assumed \$19.6 million in net General Fund savings from implementation of quality assurance efforts. Adopted legislation to assure the appropriate statutory framework is in place to prevent fraud, protect consumer access to services, and achieve program integrity through activities that assure the level of IHSS services approved is based on the consumers' level of need.

- Rejected the Governor's proposal to withhold the federal SSI cost-of-living adjustment and suspend the state SSI/SSP cost-of-living adjustment in 2004-05.
- Rejected the Governor's proposed elimination of the California Veterans Cash Benefit Program at a \$4.2 million General Fund cost. The program provides cash assistance to Filipino World War II veterans who were receiving SSP in 1999 and who relocated to the Philippines.
- Adopted the May Revision rescission of enrollment caps and block grants for various human services programs that serve legal immigrants including the Cash Assistance Program for Immigrants, the California Food Assistance Program and CalWORKs.

CalWORKs and Food Programs

- Rejected the Governor's proposed grant reduction and suspension of the CalWORKs cost of living adjustment in 2004-05.
- Rejected the Governor's proposed CalWORKs reforms, which included safety net grant reductions, deeper grant reductions to families in sanction status, and more directive work requirements for CalWORKs participants.
- Restored \$100 million to fund CalWORKs administration and employment services activities.
- Adopted trailer bill legislation to reappropriate unspent CalWORKs administration, employment services and child care current year funds and reallocate the funding to counties for support of the CalWORKs program in the budget year.
- Rejected the Governor's proposed child care eligibility and reimbursement rate reforms at a cost to the CalWORKs program of \$28.8 million. Reduced the amount of TANF funds to support Stage 2 child care by \$42.3 million.
- Maintained the reduction to Tribal TANF funding to be implemented as an across the board reduction to all Tribal TANF programs. Adopted budget bill language to reappropriate \$15.5 million in unspent Tribal TANF funds to support the programs in the budget year.
- Adopted the May Revision proposal to transfer \$20 million in TANF funds to the Department of Health Services for support of Community Challenge Grant Program, which works to mitigate teen pregnancy and nonmarital births.
- Rejected the Governor's proposed TANF transfers to child welfare services, foster care and to the Department of Developmental Services, restored General Fund support to the affected programs and adopted Budget Bill language to prohibit transfer of TANF funds from the CalWORKs reserve to the Social Services block grant.
- Maintained Transitional Food Stamps benefits and recent eligibility reforms, which will extend food assistance to 81,000 low-income California households and will generate \$4.5 million in ongoing General Fund revenue (\$1 million net GF revenue increase in the budget year).

COMMUNITY CARE LICENSING

- Rejected proposed legislation to increase community care licensing fees, over three years, to replace General Fund support for the licensing program. Assumed \$5.8 million in increased fee revenue and adopted trailer bill legislation to adjust fees to realize the assumed level of revenue.
- Required that community care licensing fees be deposited into the Technical Assistance Fund to improve legislative oversight and assure that fee revenues are used for their intended purpose.
- Maintained a \$4.6 million (\$2.6 million GF) increase to support workload associated with criminal background checks and processing of subsequent arrest information. Approved requested funding increase to support conviction information processing, which may reduce workload associated with investigating arrest reports.
- Adopted trailer bill legislation to require the Health and Human Services Agency, to the extent feasible, to examine existing background check processing, develop alternatives to streamline and standardize background check processing, and to report at budget hearings.

AUTOMATION PROJECTS

- Reduced spending authority by \$15 million for the Child Welfare Services Case Management System (CWS/CMS) to minimize nonessential system changes, reduce project costs and to reflect elimination of the expanded adoption subsystem.
- Adopted Budget Bill language to establish specific deadlines and requirements relative to the CWS/CMS go-forward plan, and to allow the Department of Finance to augment DSS and HHSDC to transition the CWS/CMS hardware to the state.
- Adopted trailer bill legislation to specify what the new In-Home Supportive Services Case Management Information and Payrolling System must provide, including case management, payrolling and program management, and to require that procurement begin by August 2004.

CHILDREN AND YOUTH SERVICES

- Adopted a series of foster care reforms for savings of \$14.5 million. The reforms include: reducing the grants for nonrelated legal guardians appointed by the Probate Court to the CalWORKs grant level, eliminating the requirement that counties examine foster care eligibility on a semi annual basis, and eliminating the requirement that DSS reimburse small foster care providers for audit costs.
- Rejected a number of foster care reforms that were not expected to generate budget year savings. The reforms include: reducing the foster care grant for children placed with relatives

after four years of placement; various changes to the group home audit processes, and developing and implementing performance based contracting for foster care providers.

- Rejected the Governor's proposal to require a county-match of the Child Welfare Services Augmentation, which has been funded by the state since 1998 to address program under funding and provide workload relief. (\$17 million General Fund).
- Approved \$31.2 million (\$6.7 million General Fund) in increased funding to support program reforms and improvements to the child welfare services system, including implementation of the new CWS outcomes and accountability system, the state's program improvement plan and expanded child abuse prevention efforts.
- Adopted Budget Bill language to reappropriate unspent CWS Redesign funding to support various activities in the budget year. The reappropriation will support development and implementation of a standardized safety assessment system and differential response.
- Adopted a May Revision increase of \$25.8 million (\$3.8 million General Fund) to implement the *Rosales v. Thompson* court decision which expanded eligibility for federal foster care funding to thousands of low-income relatives caring for foster children.

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Approved as budgeted.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved Control Section 6.60, which would allow state government workers' compensation savings, up to \$40 million, to augment funding for Employment Training Panel grants.
- Approved Finance Letter to add provisional budget language allowing the Employment Development Department to augment the Employment Development Contingent Fund appropriation in order to make interest payments on a federal Unemployment Fund loan.
- Approved Finance Letter that schedules Workforce Investment Act Discretionary Fund expenditures. Added a provision to specify that up to \$310,000 of the funds are to be used to support fire and fuel reduction training for California Conservation Corps members.
- Approved a \$20.8 million augmentation from the Employment Development Department Contingent Fund to offset a reduction in federal funds and maintain the current level of funding for Unemployment Insurance administration.
- Approved a \$12.6 million augmentation from the Benefit Audit Fund to offset a reduction in federal funds and maintain funding for UI benefit payment control activities at the current level.
- Approved a \$16.1 million augmentation from the Employment Development Department Contingent Fund to partially offset a loss in federal Act funds to the Job Service Program.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Eliminated the Industrial Welfare Commission to generate GF savings of \$235,000.
- Approved Finance Letter to augment \$20.1 million from the Workers' Compensation Administration Revolving Fund and add 249 new positions for workload related to Chapter 639, Statutes of 2003 (SB 228).

- Approved Finance Letter that provides authority for the Director of Finance to augment the Workers' Compensation Administration Revolving Fund for workload associated with Chapter 34, Statutes of 2004 (SB 899).

VETERANS AFFAIRS

0553 OFFICE OF INSPECTOR GENERAL FOR VETERANS AFFAIRS

- Approved as budgeted, which eliminates the Office of Inspector General.

8955-8966 DEPARTMENT OF VETERANS AFFAIRS AND VETERANS HOMES OF CALIFORNIA

- Approved Finance Letter to augment funding by \$2 million GF and decrease reimbursements by the same amount to better align the budget to actual reimbursements.
- Rejected Governor's Budget proposal to shift funds collected from members' estates from the Morale, Welfare and Recreation Fund to the GF for unreimbursed cost of care.
- Approved position reductions to generate GF savings of \$426,000, but shifted all of the reductions from the homes to the headquarters.